

A Brief Discussion on the Comprehensive Budget of Industrial Enterprises

Chaocui Wang

Angang subsidiary enterprise company, Anshan, Liaoning, 114031, China

Abstract: The medium-sized industrial enterprise is the important component of our national economy, its development is fine or not, representing the rise and decline of our national economy, the research focal point of standard lies in what utilizes the west to manage in the theory budgets for the financial administration which strengthens enterprises in The Master Budgeting.

This text introduces relevant contents of master budgeting, analyze the difficult problem met in implementing, and combine enterprise's own characteristics to solve. First of all, this kind of enterprise of our country is a kind of enterprise surviving between grouping enterprise and small business, it indicates, there is this kind of enterprise to the demand for development of big enterprise by own enterprise characteristic. Utilize the budgets of enterprises to manage and strengthen management to the budgets of enterprises, introduce, direct against the question that the characteristic of every enterprise uses enterprise's budget management and should be paid attention to.

Keywords: The master budgeting; Medium-Sized industrial enterprise; The master budget for and manage

Subject: The reality of China's national economy shows that the status and development potential of China's industrial enterprises are not to be underestimated. However, now, China has joined the world economic competition in this environment, the domestic industrial enterprises will face such a situation. How they will improve the company's own disadvantages and win in this commercial war.

Himself through a lot of investigation, found in the current situation of the development of industrial enterprises more appeared on some problems in financial management, such as cash management, the production cost calculation is not clear, many problems such as financing cost increase, I tried to find a way, to better solve these problems. I have read some relevant references and found that using the full budget of the enterprise can help improve and even solve these problems. This paper enumerates some disadvantages of financial management of industrial enterprises in China, which is to use the comprehensive budget of enterprises to solve these problems. It is hoped that this will lead to a further development, and the modern enterprise competition will go further.

Author's information: Chaocui Wang (born in February 1980), male, 38 years old, is from Anshan, Liaoning. He works in the financial operations department of the Angang subsidiary enterprise company.

DOI: <http://dx.doi.org/10.26549/jfr.v1i1.603>

1. Introduction

How to improve and improve the financial management level of Chinese enterprises to better cope with the increasingly fierce market competition has become one of the biggest problems facing our enterprises^[1]. Comprehensive budget management, with its unique function and function in enterprise operation

and management, is attracting more and more attention from enterprise managers. Comprehensive budget, also known as the total budget, is the enterprise the floorboard of the next annual operating budget, refers to the management goal as the starting point of this enterprise, through the study of market demand and forecast, to sales as the guide, and then extended to many aspects, such as production, cost and capital income, the preparation of financial

statements is expected comprehensive budget system^[2].

Comprehensive budget management is a new enterprise financial management mode, which relocates the budget in enterprise financial management. It is a strategic security system that is compatible with the enterprise development strategy, which is a consistent operating index system with the requirements of the entire company's business flow, capital flow, information flow and human resources. Through a comprehensive budget management can be the biggest play full of initiative, arouse the enthusiasm of responsible personnel at all levels, at the same time, through the budget index decomposition, can also make the enterprise goals into one department of small target, enables each department responsible for some production and management, in order to achieve with budget control, control department at a lower level, urged managers to work hard at all levels, so as to ensure the biggest target of enterprise according to the budget implementation^[3].

Implement comprehensive budget management, it is the innovation of enterprise comprehensive management idea and the new mode design of the output benefit. This model is especially suitable for industrial enterprises. In the development process of the financial management of industrial enterprises in China, we will find that our industrial enterprise is one of the largest in current our country enterprise type, basically their financial management techniques or saved in previous production not only calculation, not only count accounting level, so, when we are faced with such a large medium-sized processing enterprises in our country, we will fully aware and understand comprehensive budget in our country, these companies use the reality of how important it is^[4].

The implementation of the comprehensive budget management of the enterprise is in line with the existing production practice and production targets in China. Under the environment of global competition, Chinese enterprises have their own development has not only on behalf of the enterprise itself, it is more representative of our country's productivity level and with the rest of the world of confrontation in the field of economic strength, so, in our country's existing implementation of comprehensive budget management in the enterprise management mode is especially important.^[5]

2. At Present, the Financial Management of Industrial Enterprises in Our Country Generally Has Disadvantages

Firstly, the backward concept of enterprise management

leads the operators of industrial enterprises in China to determine the key point of enterprise management with habitual thinking, focusing on the sales of enterprises and abandoning the cost. Some enterprises, even in the absence of cost budgets for enterprises, directly adopt the strategy of thin profits, sales volume is large, but the sales profit of the enterprise is not increased. In the absence of the establishment of the enterprise budget, blindly pursue the sales volume of the enterprise, and once the price impact of the enterprise, it will lead to the bankruptcy of the enterprise^[6].

Secondly, it is backward to manage cash management within the enterprise, and in the absence of the capital budget of the enterprise, it will produce or invest in the enterprise, which will lead to the financial strain of the enterprise^[7].

One is the lack of cash management, resulting in cash idle or insufficient. Some companies think that the more cash, the better, causing the cash to sit idle and not participate in production turnover; Some enterprises have a lack of plan for capital use, overpurchase of real estate, unable to cope with badly needed funds and get into financial difficulties.

Second, accounts receivable turnover is slow, resulting in capital recovery difficulties. The reason is that there is no strict credit system, lack of effective credit investigation and credit evaluation for customers, and lack of effective collection measures. A lot of receivables are not coming back, and liquidity is tight, making it difficult for companies.

Third, inventory control is weak, resulting in sluggish capital. Many medium-sized enterprises lack scientific argumentation in the production and operation, resulting in the lack of market and inventory backlog. Also some enterprise production scale is small, worried about receiving orders, production, prior to production, as a result, in the case of every order, inventory backlog, thus light person influence capital operation ability, the person that weigh up completely capital chain, shut down or bankruptcy.

Four is heavy money not heavy, the loss of capital is serious. Many small and medium-sized enterprises managers, the raw materials, semi-finished products, fixed assets and other management are not in place, the problems are not investigated, the asset is wasteful.

Five is to focus only on cash flow, thinking that there is sufficient capital turnover, no analysis of income, cost, profit, lack of big picture. Some small enterprises pay

attention to the short-term effect, usually have the capital turnover is enough, wait until the money chain has a problem, then came to find the cause, the way.

Thirdly, the management of enterprises lacks unified internal control and information transfer system. Most of the management of the enterprise is the enterprise of all departments that acted unified under the enterprise leaders, no mechanism for corporate finance department is responsible for, cause the enterprise internal control is not unified, weaken the monitoring ability of the enterprise of enterprise financial sector, the financial monitoring ability of the enterprise.

In general, the key to corporate financial management is that the enterprise does not have the "budget of capital" and the "budget of sales cost" in this period. It is very important to use the comprehensive budget to improve the financial management of enterprises.

3. Comprehensive Budget Can Solve Problems for the Disadvantages of Enterprises

The budget management of industrial enterprises adopts the combination of internal and external control, which refers to the control of the execution process of each responsibility unit. The advantage of self control, in the process of budgeting, responsible departments at all levels have been involved in, before the budget implementation to the budget already have some idea of is conducive to our subjective initiative in the process of execution. Goal decomposition of clear the goal of each responsibility unit and responsibility, and make them have the corresponding power, to match the incentive system, and combining the responsibility, right, and it will be more conducive to responsibility unit in the process of execution to the detriment of the deviation from the budget activities to correct itself, arouse the enthusiasm of responsibility unit for self-control. But as a result of medium-sized enterprise budget management can't separate budget department for internal control itself, so that in the event of any errors, fraud, for enterprise hazards is immeasurable, so the adoption of a certain external monitoring is necessary^[8].

Industrial enterprise budget management content mainly is the use of enterprise comprehensive budget for the enterprise internal departments and units of all kinds of financial and non-financial resources distribution, assessment, control, in order to effectively organize and coordinate the production and business operation activities of the enterprise, complete the established business objec-

tives. The method of allocation and assessment shall be customized by combining the enterprise's actual practice. But in general, there are a few things to consider.

3.1 Strengthen the Cost Budget And Estimate the Profit

Industrial enterprises produce more variety of products, larger scale and more complex production process, which results in more complicated calculation of production cost. Some enterprises in order to reduce the trouble, and generally only in estimating the cost of enterprise, or no actual production cost of enterprise management budget, to the enterprise of the enterprise by the content of the comprehensive budget is one of the production cost budget, the operators of the enterprise products cost clear, accurate profit budget.

3.2 The Centralized Management of the Funds

Set up a settlement center system, strictly control the accounts opened and exterior circulation of funds, guarantee funds of centralized and unified management, enterprise through the establishment of financial settlement center, implements the internal funds centralized management, unified scheduling and effective monitoring, to subordinate units do "you take my money, I look at you spend results". A vent to bank settlement center, the subordinate units, besides keep everyday expenses account unified open a settlement account in settlement center, give full play to the role of the internal funds collected the settlement center^[9].

Take advantage of the enterprise comprehensive budget, strengthen the monitoring and management, enterprise cash flow to the enterprise a certain period of cash flow budget and the cash inflow of the budget, can help enterprises operators to understand the current business situation, is advantageous for the enterprise's business of short - and long-term plan of the finance department.

3.3 Increase the Forecast of Cash flow Analysis

Strengthen cash flow analysis and forecast, strictly control cash flow and outflow, guarantee payment ability and solvency. Some companies have set up. Where the money flows, management is closely followed by the idea of managing cash flow management through all aspects of enterprise management, paying great attention to the payment risk and liquidity risk of enterprises. Strict management of cash flow and cash flow generated by operating activities, investment activities and financing activities.

3.4 Ensure the Orderly Flow of Funds

We will carry out comprehensive budget management,

strictly control capital expenditures in advance, and ensure the orderly flow of funds.

One of the functions of budget management is to control the cash flow of the enterprise. It controls the cash management of the enterprise based on the cash inflow and outflow quantity of the initial budget. Be able to make the advance budget of cash, control and review afterwards^[10].

4. The Preparation Process of the Comprehensive Budget of the Enterprise

Enterprises shall, in accordance with the business budget establishment comprehensive financial budget, capital budget, capital budget and financial budget process, and in accordance with the budget implementation unit to the types and their responsibility and authority of the economic business, prepare the different forms of financial budget.

Business budget is a budget during the period of enterprise production and business operation activities of cash receipts and payment can be formed or business activities of the budget, generally includes sales or business budget, production budget, the manufacturing cost budget, product cost, operating cost budget, procurement budget and cost budget, etc., during the concrete preparation of enterprise can according to the actual situation.

The capital budget is the budget for the investment activities of the enterprise during the budget period, which mainly includes the fixed asset investment budget, the equity capital investment budget and the bond investment budget.

Capital budget is the enterprise in the budget period need new borrowing of short - and long-term, approved to issue bonds, and the original loan, debt servicing budget, mainly on the basis of enterprise information on money demand decisions, issuing bonds for examination and approval document and the initial loan balance and interest rate, etc.

The financial budget is the budget that relates to the enterprise cash management results and the financial situation. It is mainly reflected in the form of cash balance budget, expected income statement (expected profit and loss statement) and expected balance sheet.

The enterprise shall independently prepare the budget according to the plans for the issuance of shares, the rights issue and the issuance of share plans. Share issue expens-

es should also be arranged in the financing budget.

4.1 Development of Sales Budget

Sales or operating budget on the basis of the management goal (i.e., target profit), is the budget period budget implementation unit sales of all kinds of products or service offers a variety of possible sales or business and revenue of the budget, based on factors such as market demand, unit price and the cost of consumption. Based on annual target profit, forecast market sales or labor demand and provided product structure and market price.

In the preparation of sales or operating budgets, the revenue budget of the accounts receivable should be prepared to reflect the receivables and actual revenue of each period, providing a basis for the cash budget. The compilation of the sales cost budget also has to be made at the end of the department.

The sales of the products of medium-sized enterprises usually have their own specific targets, and the customers who make up the larger sales volume of the enterprises are the long-term customers of the enterprises, and the customers are more stable. Therefore, the sales budget of an enterprise should be formulated according to the basic requirements of the enterprise and the market development environment and product sales season.

4.2 Production Budget Formulation

The production budget is engaged in the industrial production of budget implementation unit in the budget period to achieve the production scale and product structure of the budget, mainly in the sales budget, on the basis of various materials on the basis of production capacity of various products, and artificial rate of consumption and its price level and that the ending inventory status. In order to achieve effective management, direct labor budget and direct material budget should be further developed.

The production volume of the product is determined by the estimated sales volume, the expected amount of the final inventory and the initial inventory amount, and the calculation formula is as follows:

Expected volume = expected sales + expected ending inventory - initial inventory

Direct material budget, production quantity is determined, can prepare material consumption and procurement budget. The amount of material consumed depends on the size of the production and the stock of materials. The calculation formula of material purchase quantity is as follows:

Expected material purchase amount = expected material consumption + expected final material inventory - material inventory of final materials

While preparing the material procurement budget, the expenditure budget for the payment of goods must be prepared, which reflects the number of accounts payable and the number of accounts payable in each quarter, providing a basis for the cash budget.

The basis of direct labor budget preparation is the production quantity per quarter of production budget, the time quota of unit production and hourly wage rate. The calculation formula is as follows:

Estimated direct labor cost = expected production * unit hours quota * hourly rate of work

Manufacturing cost budget is engaged in the industrial production of budget implementation unit in the budget period needed to complete the production budget for a variety of indirect expenses budget, mainly on the basis of the production budget, according to the project cost budget implementation and the previous year, according to the requirement of the budget period to reduce costs and expenses. In preparing the budget, the change budget should be determined based on the estimated cost of production and the projected change in the cost of the fixed expenses in accordance with the zero-based budget. In addition, the cost of cash payment should be calculated under the budget, providing information for the cash budget.

Product cost budget is engaged in the industrial production of budget implementation unit production costs required for the production of products during the budget period, the unit cost of production and cost of sales budget, mainly on the basis of the production budget, direct materials, direct labor budget, such as manufacturing cost budget summary. In the calculation of variable cost calculation, production cost and inventory cost should include only variable production cost.

4.3 Formulation of Procurement Budget

Procurement budget is a budget execution unit in the budget period to ensure that the needs of production or business operations from the outside to buy all kinds of goods, inventory of the budget, such as material, low-value products mainly according to the sales or operating budget, production budget, beginning inventory and ending inventory stock of economic establishment.

4.4 Formulation of Financial Budget

During the cost budget belongs to the production budget, budget period budget implementation unit organization

activities necessary cost, financial cost management and cost of sales (business) budget, such as included in the financial budget. Should distinguish between variable cost and fixed cost, the nature of the controllable and uncontrollable cost, actual cost level according to the previous year and the change of the budget period, combined with expenses standards and the requirements of enterprises to reduce costs and expenses, points and prepare for the project and responsible units.

The cash budget is a budget that reflects all the cash balances and the results of the enterprise budget during the budget period according to the main item of the cash flow statement. Its business budget, capital budget and capital budget as the foundation, is other budget summary about cash receipts and cash disbursements, is to the budget involving cash flow statistics, it can clear the funds required to budget, mainly used as the basis for controlling of enterprise capital position.

Also known as the budget income statement budget profit, on the basis of cash budget, according to the content and format of the income statement reflect the budget practice unit profit target budget statements during the budget period. The budget profit statement reflects the final outcome of the business operation within the budget period; In accordance with sales or operating budget, production budget, product cost budget or operating cost budget, period expense budget and other special budget, etc.

Budget balance sheet according to the content and format of the balance sheet is the comprehensive reflection of final financial budget report, budget implementation unit reflects the enterprise budget final for the assets, rights and interests and the status of the relationship. General budget balance sheet according to the actual budget at the beginning of a balance sheet and sales or business budget, production budget, procurement budget, capital budget and capital budget and related data analysis.^[11]

4.5 Capital Budgeting

Budget of investment in fixed assets is the enterprise in the budget period and construction, reconstruction, expansion and updating of fixed assets to invest capital budget, shall, according to the unit information on investment decision-making and the annual plan of investment in fixed assets. The cash inflow caused by the disposal of fixed assets shall also be included in the capital budget. Enterprises such as a national basic construction investment, the country's fiscal productive funds, shall, according to the relevant state departments approved documents, the industrial structure adjustment policy, technical trans-

formation plan of the enterprise information budgeting alone.

Equity capital investment budget is the enterprise in the budget period in order to obtain other units of the equity and income distribution and capital budget of the investment, should according to enterprise information on investment decisions and annual equity capital investment planning. The capital budget shall also be included in the cash inflow caused by the transfer of equity capital investment or the profit generated by the invested unit.

The budget of the bond investment is the budget for the purchase of government bonds, corporate bonds and financial bonds in the budget period, and shall be prepared according to the relevant investment decision data and securities market quotation. The capital budget shall also be included in the cash inflow caused by the withdrawal of the principal and interest of the enterprise.

5. The Enterprises Shall Take Into Account the Problems That the Comprehensive Budget Should Consider

Before implementation, the enterprise should consider the following questions, and according to the actual situation of different enterprises, a comprehensive budget model is really suitable for enterprises.

5.1 The Relationship Between the Overall Budget of the Enterprise And the Enterprise Operation Plan

The overall budget of the enterprise is prepared for the business plan of the enterprise. The enterprise operation plan is divided into long-term plan and short-term plan. To enterprise's long-term plan, the enterprise must carry on the long-term budgeting, is the enterprise for predicting the production situation in recent years, namely the target during the period of one year or one operating a broad description. A short-term corporate budget is a short-term forecast of a business plan. Yet the two predictions are not imaginary, nor are they based on past experience. It is based on the enterprise production process of production and production information, classifies the decomposition and refinement, and in combination, and interpretation of accounting language, more specific and explicit and rigorous, large amount of information, the maneuverability is strong, strong authority^[12].

5.2 Introduce Excellent Financial Management Talents

Budget management is an important part of financial

management work, to the enterprise development to play the role of a decision, can truly play a role of its decision-making, staff, and restricted by the objective environment of the enterprise, but fundamentally depends on the finance department head's own quality and ability^[13].

5.3 Establish a Standardized Budget Management System

The establishment of the standard budget management system can help the investment decision management and the capital use and control of enterprises, as well as the financial risk prevention of enterprises. Only by establishing a series of scientific internal management system, various functional departments of the enterprise's business activities are organized, restriction, evaluation and regulation, to improve business efficiency and competitiveness, to achieve the business operators to achieve the expected goal. As the operation of enterprises the core department of the Treasury, create and improve the system of financial management and other related management system, the standardization of the overall operation of the enterprise have the effect of "single point", so should first create the company's basic budget management system, and on this basis to develop with the enterprise the core systems in the construction of the system architecture and other various types of concrete system to gradually improve.

5.4 Strengthen the Rigid Role of Budget

Practice proves that, without effective supervision, it is difficult to achieve the desired goal. Therefore, in the case of budgetary management, there should be strong supervision measures and safeguard measures. On the watchdog, enterprise group of audit and accounting department should be the corresponding responsibilities, to the decision-making departments, relevant information timely feedback to the group so that the budget management organization, analysis of measurement data, as an reference to enterprise budget next year. External personnel can also be hired at the end of the year to review the budget of the enterprise^[14].

5.5 Establish a Reasonable Budget Appraisal System

Budget laws as a value goal system, at the end of the final for the execution and completion, also should through the reasonable procedures for examination and assessment, which reflects the objective and fair, give play to the role of the budget of the incentive and constraint, therefore, to establish a reasonable budget for examination and assessment system is very necessary. The budget appraisal system should include the establishment of the budget

appraisal index, the organization leading organization, personnel composition, budget appraisal time, the result and use of the budget appraisal.

Reasonable evaluation system of the enterprise group and the budget management of the budget is very important, must reflect the objectivity, the seriousness and authority, thus the budget management work to a new level^[15].

5.6 The Application of Financial Computerization to the Budget

With the advent of the electronic information age, the budget will also enter a new development period, and we should not despise the role of financial software in the overall budget of enterprises. How to effectively use network resources to strengthen budget monitoring is the new task facing budget management. The author believes that the development of extensive network resources including management software should be developed to improve the quality and efficiency of budget management, and improve the budget management to a new starting point^[16].

References

- [1] Yu. Western financial accounting (Second Edition)[M]. Beijing: University of International Business and Economics, 2000,09(01):69-81. (in Chinese)
- [2] Yan Hu. A brief discussion on problems and countermeasures in the financial management of small and medium-sized enterprises[N]. China Financial News, 2004,10,22. (in Chinese)
- [3] Atkinson, Banker, Kaplan, et al. Management Accounting (Third Edition)[M]. Beijing: Tsinghua University publishing house, 2001:476-480.
- [4] Laison Li. Modern Management Accounting[M]. Economic Management Press, 2001,01:56-58. (in Chinese)
- [5] Norman M Scarborough. Effective Small Business Management (Sixth Edition)[M]. Beijing: Tsinghua University publishing house, 2001:249-251.
- [6] Charles T. Horngern. Accounting (Fifth Edition)[M]. Beijing: Tsinghua University publishing house, 2001:929-930.
- [7] Tong Song. Application and Development of E-Commerce[N]. Information Industry Paper, 2001,12 (4). (in Chinese)
- [8] Yuming Hu, Yuxu Ying. Management Accounting[M]. Beijing: Beijing China Finance and Economics Press, 199906(01):265-268. (in Chinese)
- [9] Fengming Li. Accounting System Design[M]. Beijing: Peking University press, 2002,09(01):123-125. (in Chinese)
- [10] Wenlian Han. Management Accounting[M]. Beijing: Capital Economics and Trade University Press, 2002,01:189-190. (in Chinese)
- [11] Fei Pan. Typical Case Study of Management Accounting Application and Development - Case of Budget Management and Performance Evaluation[M]. Beijing: China Financial Economics Press, 2002:23-50. (in Chinese)
- [12] Charles T Hengrui, George Foster. Cost Accounting[M]. Beijing: China People's Press, 1999,11(01):269-271.
- [13] Zhong Wang, Jianjie Zhou. Management Accounting Teaching Case[M]. Beijing: China University Press, 2000,12(01):65-70. (in Chinese)
- [14] Guowu Wang. Small and Medium-Sized Enterprise Financial Management[EB/OL]. <http://www.szwonder.net/title/title-94.thm>, 2001. (in Chinese)
- [15] Xianwang Shi. A Study on the Reform of Accounting Management System in China[M]. Beijing: China Finance and Economics Press, 2002,06(08):75-79. (in Chinese)
- [16] Ding Pan, Yan Pan. Electronic Accounting[M]. Beijing: China Financial Economics Press, 1999:86-98. (in Chinese)